Attachment 2
Existing Insider Trading Policy

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

FOR
INSIDER TRADING

February 14, 2005

This Policy is effective immediately upon adoption and supersedes all previous insider trading policies.

I. PURPOSE

This document sets forth the investment policy ("the Policy") for Insider Trading. The design of this Policy ensures that investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("the System") take prudent and careful action while managing all of the System's programs.

II. CONFIDENTIALITY OF INSIDE INFORMATION

Anyone who comes into possession of material non-public information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know for legitimate, reasons related to the California Public Employees' Retirement System ("the System"). Any person who improperly reveals material non-public information to another person can be held liable under the anti-fraud provisions of the securities laws (primarily section 10(b) of the Securities Exchange Act of 1934 ("1934 Act") and Rule 10b-5) for the trading activities of his or her "tippee" and any other person with whom the tippee shares the information.

Consistent with the foregoing, inside information should be communicated discretely. Such information should not be discussed in public places where it can be overheard, such as elevators, restaurants, taxis and airplanes. Such information should be divulged only to persons having a need to know the information in order to carry out their job responsibilities. To avoid even the appearance of impropriety, advice should not be provided or recommendations made regarding the purchase or sale of the securities identified on the Restricted Company List.

III. PROHIBITION OF INSIDER TRADING

The anti-fraud provisions of the federal securities laws generally prohibit persons who have a duty not to disclose material non-public information from trading securities on the basis of such information. In addition, the anti-fraud provisions prohibit fraudulent, manipulative, or deceptive trading practices. Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. The civil damages can consist of disgorgement of any illicit profits and a fine of up to three times the profit gained or loss avoided. The criminal penalties can be as much as $1 million and 10 years imprisonment per violation.

IV. MATERIALITY

Information regarding a publicly traded company is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding that company's securities. Further, such information would be material if it were likely to have a significant impact on the market price of that company's securities. By way of example, it is probable that the following information, in most circumstances, would be deemed material:

A. Annual or quarterly financial results.

B. A significant change in earnings or earnings projections.

C. Unusual gains or losses in major operations.

D. Negotiations and agreements regarding significant acquisitions, divestitures, or business combinations.

E. A significant increase or decrease in dividends on the company's stock.

F. Major management changes.

The materiality of particular information is subject to reassessment on a regular basis. For example, the information may become stale because of the passage of time, or subsequent events may supersede it. However, so long as the information remains material and non-public, it must be maintained in strict confidence and not used for trading purposes.

V. POTENTIAL LIABILITY OF THE SYSTEM FOR INSIDER TRADING BY SYSTEM PERSONNEL

Section 21A(b) of the 1934 Act provides the Securities and Exchange Commission (the "SEC") with the authority to bring a civil action against any "controlling person who knows of, or recklessly disregards, a likely insider trading violation by a person under his control and fails to take appropriate steps to

prevent the violation from occurring". A successful action by the SEC under this provision can result in a civil fine equal to the greater of $1 million or three times the profit gained or loss avoided.

The System, its Board of Administration and Executive Staff, certain key personnel, and consultants could be deemed controlling persons subject to potential liability under section 21A(b). Accordingly, it is incumbent on such persons to maintain an awareness of possible insider trading violations by persons under their control and to take measures where appropriate to prevent such violations. In the event such persons become aware of the possibility of such a violation, the System's Legal Office should be contacted immediately.

VI. RESTRICTIONS ON TRADING IN SPECIFIED COMPANIES

The System's Policy is that, if any Board member, member of Executive Staff, certain key Investment Office and Legal Office personnel, or investment advisor ("Restricted Persons") obtains material non-public information relating to any publicly traded company, that person may not buy or sell securities of that company or engage in any other action to take advantage of, or pass on to others, that information.

Due to the possibility (and, in the case of privately negotiated investments, the likelihood) that a Restricted Person will be receiving material non-public information regarding the companies identified on the Restricted Company List, and the far-reaching liability and severe penalties such persons and the System would face as a result of insider trading violations, trading in the stocks, bonds, and other securities of publicly traded companies on the Restricted Companies List will be specifically restricted as follows[1]:

1. Trading in the stocks, bonds, or other securities of the Tier One companies may only be conducted during the time period between 24 hours and 20 days following the release of the company's quarterly and annual reports. **Trading during any other time period is strictly prohibited.** Confining trading in these securities to this "window period" will help ensure that trading is not based on material information that is not available to the public.

2. Before a trade in a Tier One company can be executed during this window period, the trade must be pre-cleared by the System's Legal Office. This added precaution will allow the prevention of a trade if there has been a material development regarding the company which has not been made public but knowledge of which could be imputed to the System or to the System's employee or representative proposing the trade.

[1] The restrictions do not apply to trading for funds that replicate the weights of index funds.

3. Trading in the stocks, bonds, or other securities of the Tier Two companies may be conducted at any time, but (with respect to System trades) only with the pre-approval of the System's Legal Office. This will allow an evaluation as to whether the System is at that time in the possession of material inside information, or is engaged in some other activity with respect to the company so that trading could raise the appearance of impropriety.

Observation of these restrictions will be necessary to ensure that insider trading law violations do not occur.

VII. GLOSSARY OF TERMS

Definitions for key words used in this policy are located in the Miscellaneous Glossary of Terms which is included in the System's Master Glossary of Terms.

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